5540

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

JUNE 30, 2010 AND 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/29/10

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

RUSTON, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

OTHER REPORTS

AUDITED FINANCIAL STATEMENTS

HEARD, MCELROY, & VESTAL
LLP
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

September 4, 2010

The Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana

Independent Auditors' Report

We have audited the accompanying statements of financial position of Louisiana Tech University Foundation, Inc. (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Tech University Foundation, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2010, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Heard, McElroy & Vestal, LLP

HMV
A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI
hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

ASSETS	2010	2009
Cash and cash equivalents	8,628,550	5,779,941
Accounts receivable-Notes 12, 15 and 16	6,206,838	587,196
Contributions receivable, net-Note 6	1,036,822	938,982
Accrued interest receivable-Note 3	11,052	12,309
Investments-Notes 3 and 4	17,909,954	15,919,019
Fixed assets, net-Notes 5 and 10	1,780,099	4,265,974
Other assets	227,955	251,427
Restricted assets-investments-Notes 3 and 4	31,714,866	27,822,816
Total assets	67,516,136	55,577,664
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	136,367	58,110
Accrued interest payable	30,478	12,212
Annuities liability-Note 14	229,031	242,261
Deferred revenue-Notes 12, 15 and 16	6,085,483	288,470
Deferred compensation-Note 9	136,997	76,302
Notes payable-Note 7	2,103,249	1,704,164
Bonds payable-Note 8	123,244	599,145
Due to Louisiana Tech University-Note 11	31,462,779	27,626,989
Total liabilities	40,307,628	30,607,653
Net assets:		
Unrestricted:		
Undesignated	4,345,616	2,309,573
Invested in capital assets, net of related debt	(446,394)	1,962,665
	3,899,222	4,272,238
Temporarily restricted-for specific purposes	4,510,902	3,820,333
Permanently restricted-endowment	18,798,384	16,877,440
Total net assets	27,208,508	24,970,011
Total liabilities and net assets	67,516,136	55,577,664

See accompanying notes to financial statements.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	111,692	4,941,405	2,608,755	7,661,852
Contributed services	715,366	-	-	715,366
Interest and dividends income	51,644	415,745	-	467,389
Lease income	-	41,809	-	41,809
Service charges	846,300	-	-	846,300
Realized and unrealized gains (losses) on investments, net	(9,036)	1,180,293	10,778	1,182,035
Other	169,523	1,608,420	21,411	1,799,354
	1,885,489	8,187,672	2,640,944	12,714,105
Net assets released from restrictions	7,497,103	(7,497,103)	-	-
Total revenues, gains and other support	9,382,592	690,569	2,640,944	12,714,105
Expenses:				
Instructional support	934,695	-	-	934,695
Academic support	49,422	-	-	49,422
Research	112,971	-	-	112,971
Institutional support	1,450,022	-	-	1,450,022
Student financial aid	293,584	-	-	293,584
Student services	123,202	-	-	123,202
Auxiliary	4,390,279	-	-	4,390,279
General administrative services	1,274,922	-	-	1,274,922
Fundraising	1,126,511	-	-	1,126,511
Total expenses	9,755,608	-	-	9,755,608
Assets dedicated to Louisiana Tech University, net	-	-	720,000	720,000
Change in net assets	(373,016)	690,569	1,920,944	2,238,497
Net assets, beginning of year	4,272,238	3,820,333	16,877,440	24,970,011
Net assets-end of year	3,899,222	4,510,902	18,798,384	27,208,508

See accompanying notes to financial statements.

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
101,551	4,322,311	1,987,980	6,411,842
920,082	-	-	920,082
53,655	716,249	36	769,940
-	238,915	-	238,915
784,091	-	-	784,091
(109,863)	(4,090,511)	(49,545)	(4,249,919)
474,024	920,265	17,252	1,411,541
2,223,540	2,107,229	1,955,723	6,286,492
7,923,522	(7,923,522)	-	-
10,147,062	(5,816,293)	1,955,723	6,286,492
1,641,411	-	-	1,641,411
103,731	-	-	103,731
283,204	-	-	283,204
2,910,540	-	-	2,910,540
845,173	-	-	845,173
199,858	-	-	199,858
1,901,370	-	-	1,901,370
908,353	-	-	908,353
1,419,423	-	-	1,419,423
10,213,063	-	-	10,213,063
-	-	1,740,000	1,740,000
(66,001)	(5,816,293)	215,723	(5,666,571)
4,338,239	9,636,626	16,661,717	30,636,582
4,272,238	3,820,333	16,877,440	24,970,011

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	2,238,497	(5,666,571)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,046,219	1,058,919
Transfer of fixed assets	2,078,450	1,426,191
Net unrealized (gain) loss on long-term investments	(1,674,407)	1,953,727
Realized loss on sale of investments	492,372	2,296,192
(Increase) decrease in assets:		
Accounts receivable	(5,619,642)	1,580,694
Contributions receivable, net	(97,840)	(306,673)
Accrued interest receivable	1,257	12,635
Other assets	23,472	(66,771)
Increase (decrease) in liabilities:		
Accounts payable	78,257	(667,312)
Accrued interest payable	18,266	4,156
Annuities liability	(13,230)	(34,433)
Deferred revenue	5,797,013	(102,628)
Deferred compensation	60,695	48,634
Contributions restricted for long-term investment	(2,608,755)	(2,047,980)
Net cash provided (used) by operating activities	1,820,624	(511,220)
Cash flows from investing activities:		
Purchases of fixed assets	(704,159)	(1,550,413)
Proceeds from sale of fixed assets	22,500	16,000
Purchases of investments	(4,009,179)	(3,335,391)
Proceeds on sale of investments	1,860,705	1,722,767
Increase in due to Louisiana Tech University	1,326,179	2,490,569
Net cash (used) by investing activities	(1,503,954)	(656,468)
Cash flows from financing activities:		
Contributions restricted for investment in endowment	2,608,755	2,047,980
Payments of notes payable	(273,705)	(174,314)
Payments of bonds payable	(475,901)	(449,714)
Proceeds from issuance of debt	672,790	1,441,350
Net cash provided by financing activities	2,531,939	2,865,302
Increase in cash and cash equivalents	2,848,609	1,697,614
Cash and cash equivalents-beginning of year	5,779,941	4,082,327
Cash and cash equivalents-end of year	8,628,550	5,779,941

See accompanying notes to financial statements.

1. Organization and Significant Accounting Policies

Organization

The Louisiana Tech University Foundation, Inc. (the Foundation) was organized to solicit, receive, hold, invest and transfer funds for the benefit of Louisiana Tech University (Louisiana Tech University). Additionally, the Foundation assists Louisiana Tech University in meeting the criteria for accreditation as outlined by the Commission on Colleges for the Southern Association of Colleges and Schools. Louisiana Tech University and the Foundation are also in a management agreement related to endowed chairs and professorships. This agreement is in compliance with Board of Regents policy and allows the Foundation to manage funds on behalf of Louisiana Tech University. The Foundation is a separate legal entity and not included as part of the reporting entity of Louisiana Tech University.

Significant Accounting Policies

Basis of accounting

The Foundation's financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America. Accordingly, they reflect revenues and related receivables when earned rather than when received and expenses and related payables when incurred rather than when paid.

The Foundation maintains its accounts in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Financial statement presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. However, these assets may be designated by management for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time. This classification includes gifts, annuities and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all of, or part of, the income earned on the related investments for general or specific purposes.

1. Organization and Significant Accounting Policies (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Net Assets Released from Restrictions
Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions
Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Investment Income
Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;

- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;

- increases in unrestricted net assets in all other cases.

Temporarily Restricted Net Assets
With respect to temporarily restricted net assets, the Foundation has adopted the following accounting policies.

Contributions with Restrictions Met in the Same Year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of temporarily restricted net assets, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment - Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, building and equipment without such donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and Cash Equivalents
Cash and cash equivalents principally include cash and money market investments not held by trustees. For purposes of the cash flow statement, all highly liquid instruments with original maturities of three months or less are considered cash equivalents.

1. Organization and Significant Accounting Policies (Continued)

In-Kind Gifts
Gifts of investments, real estate, and other property contributed to the Foundation are recorded at estimated fair value at date of contribution.

Accounts Receivable
Accounts receivable consists of amounts due from outside parties. Management evaluates the collectibility and aging of those accounts receivable in determining the need for an allowance for doubtful accounts.

Investments
Investments in marketable securities with readily determinable fair values are stated at fair value. Realized gains or losses on sales of investment securities are based upon the cost of the specific security sold. Unrealized gains and losses are included in the change in net assets.

Fixed Assets
Depreciation is provided on the straight-line method based on the estimated useful lives of the depreciable assets which range from two to thirty years. The Foundation capitalizes expenditures in excess of $2,500 for fixed assets at cost.

Tax Status
The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation files U.S. federal Form 990 for informational purposes. The Foundation's federal income tax returns for the tax years 2006 and beyond remain subject to examination by the Internal Revenue Service.

Funds Functioning as Endowment
The Foundation has designated funds for which the income earned is designated for specific uses. Because there is no donor-imposed restriction, these funds are classified as unrestricted net assets; however, the Foundation restricts the use of the funds in the same manner as a donor would by creating an endowment.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain amounts in the fiscal year ended June 30, 2009 financial statements have been reclassified to the fiscal year ended June 30, 2010 presentation.

2. **Cash and Cash Equivalents**
At times throughout the year, the Foundation may maintain certain bank accounts in excess of federally insured limits, which is a concentration of credit risk. The risk is mitigated by maintaining deposits in only well capitalized financial institutions.

3. **Investments**
Fair values and unrealized appreciation (depreciation) of investments at June 30, 2010 and 2009 are summarized as follows:

	2010			2009		
	Cost	Fair Value	Unrealized Appreciation/ (Depreciation)	Cost	Fair Value	Unrealized Appreciation/ (Depreciation)
Held by investment custodians:						
Cash and cash equivalents	3,412,719	3,412,719	-	3,508,558	3,508,558	-
Certificates of deposit	685,000	691,666	6,666	801,024	806,763	5,739
Mutual funds	25,212,245	26,444,069	1,231,824	24,798,315	22,443,253	(2,355,062)
Government obligations and corporate bonds	8,102,283	8,470,033	367,750	5,705,641	5,895,749	190,108
Common stocks	9,791,598	9,912,076	120,478	10,521,358	9,859,398	(661,960)
Real estate held by the Foundation	673,430	673,430	-	1,204,430	1,204,430	-
	47,877,275	49,603,993	1,726,718	46,539,326	43,718,151	(2,821,175)
Accrued interest included in restricted investments	20,827	20,827	-	23,684	23,684	-
	47,898,102	49,624,820	1,726,718	46,563,010	43,741,835	(2,821,175)
Included on the Statement of Financial Position:						
Investments	17,446,923	17,909,954	463,031	17,070,180	15,919,019	(1,151,161)
Restricted assets-investments	30,451,179	31,714,866	1,263,687	29,492,830	27,822,816	(1,670,014)
	47,898,102	49,624,820	1,726,718	46,563,010	43,741,835	(2,821,175)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2010 and 2009:

	2010			2009		
	Unrestricted	Temporarily and Permanently Restricted	Total	Unrestricted	Temporarily and Permanently Restricted	Total
Interest income	51,644	415,745	467,389	53,655	716,285	769,940
Net realized and unrealized gains (losses)	(9,036)	1,191,071	1,182,035	(109,863)	(4,140,056)	(4,249,919)
Total investment return	42,608	1,606,816	1,649,424	(56,208)	(3,423,771)	(3,479,979)

Of the bank balances, those funds not covered by federal deposit insurance were covered by collateral held by the pledging banks' trust department.

4. **Fair Value of Financial Instruments**
The Foundation adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" (Topic 820). Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),

4. Fair Value of Financial Instruments (Continued)

- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2010 and 2009 are as follows:

	Assets at Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Fair Value
Money Markets	-	3,433,547	-	3,433,547
Certificates of Deposit	691,666	-	-	691,666
Mutual Funds:				
Commodities	491,341	-	-	491,341
Domestic Blended	6,994,843	-	-	6,994,843
Domestic Fixed Income	9,839,631	-	-	9,839,631
Domestic Growth	1,059,430	-	-	1,059,430
Domestic Value	361,485	-	-	361,485
Foreign Blended	2,071,795	-	-	2,071,795
Foreign Fixed Income	1,741,781	-	-	1,741,781
Foreign Growth	1,855,484	-	-	1,855,484
Foreign Value	495,266	-	-	495,266
Natural Resources	332,093	-	-	332,093
Real Estate	177,851	-	-	177,851
Total Mutual Funds	25,421,000	-	-	25,421,000
Exchange Traded Funds	1,023,068	-	-	1,023,068
Government Obligations and Corporate Bonds	-	8,470,033	-	8,470,033
Common Stocks-Domestic	9,912,076	-	-	9,912,076
Real Estate	-	-	673,430	673,430
Total	37,047,810	11,903,580	673,430	49,624,820

4. Fair Value of Financial Instruments (Continued)

	Assets at Fair Value as of June 30, 2009			
	Level 1	Level 2	Level 3	Fair Value
Money Markets	-	3,532,243	-	3,532,243
Certificates of Deposit	806,763	-	-	806,763
Mutual Funds:				
Commodities	208,089	-	-	208,089
Domestic Blended	7,609,847	-	-	7,609,847
Domestic Fixed Income	8,858,189	-	-	8,858,189
Domestic Growth	455,649	-	-	455,649
Domestic Value	1,912	-	-	1,912
Foreign Blended	3,448,866	-	-	3,448,866
Foreign Fixed Income	189,451	-	-	189,451
Foreign Growth	748,206	-	-	748,206
Foreign Value	286,295	-	-	286,295
Natural Resources	978	-	-	978
Real Estate	147,065	-	-	147,065
Total Mutual Funds	21,954,547	-	-	21,954,547
Exchange Traded Funds	488,705	-	-	488,705
Government Obligations and Corporate Bonds	-	5,895,749	-	5,895,749
Common Stocks-Domestic	9,859,398	-	-	9,859,398
Real Estate	-	-	1,204,430	1,204,430
Total	33,109,413	9,427,992	1,204,430	43,741,835

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2010	2009
Balance-July 1	1,204,430	4,173,896
Gains (losses) realized and unrealized	-	(1,872,318)
Purchases, issuances, and settlements	(531,000)	(1,097,148)
Transfers in and/or out of Level 3, net	-	-
Balance-June 30	673,430	1,204,430

5. Fixed Assets

A summary of the fixed assets at June 30, 2010 and 2009 follows:

	Depreciable Lives	2010	2009
Automobiles	2-3	141,738	138,813
Furniture, fixtures and equipment	3-10	3,252,561	3,244,827

5. **Fixed Assets** (Continued)

	Depreciable Lives	2010	2009
Engineering equipment	3-10	666,682	666,682
Real estate and other	-	136,557	199,858
** Construction in progress		-	1,454,653
* Leasehold improvements	30	4,161,555	4,161,554
		8,359,093	9,866,387
Less-accumulated depreciation		(6,578,994)	(5,600,413)
		1,780,099	4,265,974

Depreciation of $367,554 and $380,254 was recorded for the years ended June 30, 2010 and 2009, respectively.

*Consists of renovations to Tolliver Hall and the Ropp Center. Renovations were completed April 1, 2004 and will be donated to Louisiana Tech University at the time the bonds are paid. Refer to Notes 6 and 8. Amortization of leasehold improvements was $678,665 for the years ended June 30, 2010 and 2009.

** Construction in progress consisted of a Video Board for the football stadium. Construction was completed in September 2009 and the Video Board was transferred to the University upon termination of the lease agreement. The final cost of the Video Board is $2,051,105 and is included in Auxiliary expense in fiscal year ended June 30, 2010.

6. **Contributions Receivable**

Contributions receivable, net, is summarized as follows as of June 30, 2010 and 2009:

	2010	2009
Unconditional pledges expected to be collected in:		
Less than one year	39,878	115,474
One year to five years	1,069,169	869,330
More than five years	-	-
	1,109,047	984,804
Less-discount on future contributions receivable (discount rate of 1.27% and 1.77% in 2010 and 2009, respectively)	(3,140)	(4,718)
Less-allowance for uncollectible contributions receivable	(69,085)	(41,104)
Contributions receivable, net	1,036,822	938,982

7. **Notes Payable**

Notes payable consist of the following at June 30, 2010 and 2009:

	2010	2009
Notes payable to Regions Bank for renovations to Louisiana Tech University Fieldhouse, original amount of $1,125,000, interest at 1% under the		

7. Notes Payable (Continued)

	2010	2009
Bank's Financial Corporation Commercial Base Rate Daily (2.25% at June 30, 2010 and 2009, respectively), payable in 11 annual principal payments of $75,000, quarterly interest payments, and one final principal and interest payment of outstanding balance, matures March 18, 2018, secured by depository accounts.	93,264	262,814
Note payable to Community Trust Bank for construction of football stadium video board dated November 2, 2009, original amount of $2,050,000, variable rate interest at prime rate (3.25% at June 30, 2010 not to exceed 5.75%), payable in nine semi-annual payments of $95,000, and one final payment of $1,461,960, matures July 15, 2014. As of June 30, 2009, the debt was considered a line of credit and was refinanced during fiscal year 2010 when construction was complete.	1,968,695	1,441,350
Note payable to GMAC for automobile, original amount of $41,290, interest at 5.75%, payable in 48 monthly payments of $967.23, matures June 2014.	41,290	-
	2,103,249	1,704,164

Notes payable maturities are as follows:

Year Ended June 30,	
2011	147,361
2012	156,985
2013	143,559
2014	148,572
2015	1,506,772
2016 and thereafter	-
	2,103,249

Interest paid for the years ended June 30, 2010 and 2009 was $18,059 and $11,365, respectively.

8. Bonds Payable

Bonds payable at June 30, 2010 and 2009 are as follows:

	2010	2009
Revenue bonds payable at 5.7%, due in quarterly installments through August 15, 2010	123,244	599,145

8. **Bonds Payable** **(Continued)**

In August 2000, the Foundation issued $3,791,183 in revenue bonds to fund renovations to Tolliver Hall and the Ropp Center as required under the lease agreement with Aramark described in Note 10. The bonds were issued with a 10-year term at an interest rate of 5.7% and with payments of $125,000 due quarterly.

Maturities of the revenue bonds, by year, at June 30, 2010 are as follows:

Year Ended June 30,	
2011 (end of term)	123,244

Interest paid for the years ended June 30, 2010 and 2009 on the revenue bonds was $24,099 and $50,286, respectively. Amounts capitalized related to this interest for the years ended June 30, 2010 and 2009, were $0.

9. **Deferred Compensation**

The Foundation provides additional compensation to the President of Louisiana Tech University. Pursuant to an agreement between the Foundation and the President, such compensation is being deferred. The deferred compensation is deposited by the Foundation in a trust for the President's benefit. At January 7, 2008, the balance of the deferred compensation was paid to the President according to the terms of the agreement, and a new agreement became effective with generally the same terms as the old agreement. Total deferred compensation at June 30, 2010 and 2009 was $136,997 and $76,302, respectively.

10. **Lease Agreement**

During fiscal year ended June 30, 2000, Louisiana Tech University entered into a lease agreement with Aramark for Tolliver Hall and the Ropp Center in connection with providing food services on campus. As a condition of this agreement, Louisiana Tech University required Aramark to enter into a sublease for the facilities with the Foundation. As a result, the Foundation entered into an agreement with Aramark to lease Tolliver Hall and the Ropp Center from Aramark for the purpose of renovating the structures. Upon completion, the sublease was terminated, and the improvements will be gifted back to Louisiana Tech University by the Foundation once the bonds (refer to Note 8) are paid in full. Notwithstanding the term of the lease agreement between the Foundation and Aramark, Aramark will pay the Foundation $500,000 per year for ten years to defray the costs of constructing the improvements. No lease payments are required to be paid by the Foundation, but the Foundation was required to construct the improvements of Tolliver Hall and the Ropp Center in accordance with building standards satisfactory to Aramark and Louisiana Tech University. For the years ended June 30, 2010 and 2009, the payments of $0 and $500,000 have been recorded as temporarily restricted other revenue since they defray the construction costs.

11. **Transactions with Louisiana Tech University**

Louisiana Tech University provides to the Foundation, without cost, services for the administration of the Foundation in the form of personnel. In addition, Louisiana Tech University provides, without cost, certain other operating services associated with the Foundation. These services are valued at their actual cost to Louisiana Tech University. For the year ended June 30, 2010, contributed personnel costs and operating services were determined to be $713,133 and $2,233, respectively. For the year ended June 30, 2009, contributed personnel costs and operating services were determined to be $917,567 and $2,515, respectively. The amounts for these services have been reflected as contributed services revenue and corresponding general administrative services and fundraising expenses in the accompanying financial statements.

11. Transactions with Louisiana Tech University (Continued)

For the years ended June 30, 2010 and 2009, expenses totaling approximately $3,053,556 and $3,684,260, respectively, were paid directly to or for the benefit of Louisiana Tech University.

Funds administered by the Foundation on behalf of Louisiana Tech University are not commingled with funds belonging to the Foundation. Classified as amounts due to Louisiana Tech University at June 30, 2010 and 2009 is $31,462,779 and $27,626,989, respectively, related to certain endowed chairs and professorships matched by the State of Louisiana. Initially, the donor portion of these funds is recorded as contributions to the Foundation. Once the state matching is received, the donor portion is deducted from the permanently restricted, temporarily restricted, and unrestricted net assets of the Foundation and reflected as due to Louisiana Tech University.

The Foundation has leases with Louisiana Tech University to provide parking for the campus. For the years ended June 30, 2010 and 2009, total lease income of $41,809 and $238,915 was received by the Foundation. Throughout fiscal year ended June 30, 2009, the Foundation sold all but one of these properties to the State of Louisiana for the benefit of Louisiana Tech University thus extinguishing the lease agreements. Future minimum payments due from Louisiana Tech University are as follows:

Year Ending June 30,	
2011	5,917
2012	4,437

Various other services and facilities are contributed to the Foundation, the values of which are not readily determinable and, therefore, are not reflected as contributions or expenses in the accompanying financial statements.

12. Deferred Revenue

During fiscal year ended June 30, 2000, the Foundation entered into an agreement with MBNA America Bank, N.A. (MBNA) for MBNA to provide financial service products to Louisiana Tech University undergraduate students, graduate students, alumni, and/or other potential participants. This agreement expired on April 30, 2005, and a new agreement became effective. Per the terms of the new agreement, MBNA guarantees royalties paid to the Foundation will be equal to or greater than $600,000 by the end of the full term of the new agreement expiring on April 30, 2012. Royalties of $100,000 were paid during the first year of the contract with the remaining $500,000 to be paid equally over the remaining six years of the contract. A payment of $83,333 was received under the agreement for the fiscal years ended June 30, 2010 and 2009.

Unrestricted revenue of $85,714 was recognized for the fiscal years ended June 30, 2010 and 2009. At June 30, 2010 and 2009, accounts receivable totaling $83,333 and $166,667, respectively, and deferred revenue of $157,143 and $242,857, respectively, were recorded related to this agreement.

13. Commitments

As of June 30, 2010 and 2009, there was approximately $145,714 and $68,561, respectively, in awarded but unpaid scholarships, which were funded subsequent to year-end.

14. Annuities Liability

The Foundation receives donations through split-interest agreements with contributors. These split-interest agreements specify that the donation is made in return for an individual or joint annuity for the remaining lives of the contributors. The difference between the fair market value of the assets received and liability under the annuity is recognized as revenue in the year received. Upon the death

14. **Annuities Liability** **(Continued)**

of the contributor, the remaining liability, if any, is recognized as revenue. The Foundation has received nine donations under such agreements that result in an annuities liability totaling $229,031 and $242,261 at June 30, 2010 and 2009, respectively. The liabilities were calculated using discount rates of 8.0%, 4.9%, 5.0%, 6.0%, and 3.25%.

15. **Lease Purchase**

During fiscal 2005, the Foundation entered into an agreement to lease property with option to purchase to the Board of Supervisors for the University of Louisiana System for the benefit of Louisiana Tech University. The property is the former parish library located at 509 West Alabama Avenue in Ruston, Louisiana. According to the terms of the lease purchase, the Board initially paid $50,000 to the Foundation in fiscal year 2005, with payments of $50,692 due annually for nine years beginning February 1, 2006. At June 30, 2010 and 2009, accounts receivable totaling $202,768 and $253,461 and deferred revenue totaling $31,063 and $45,613 were recorded related to this agreement.

16. **Multimedia Sponsorship Rights**

On August 28, 2008, the Foundation entered into an agreement with Louisiana Tech University ("University") for the exclusive promotion and management of multimedia sponsorships rights for Louisiana Tech University Athletics. The term of the agreement is July 1, 2009 through June 30, 2019. The agreement indicates that the Foundation will contract with a third party company to sell multimedia sponsorship rights on behalf of Louisiana Tech University Athletics. As payment for rights granted under this agreement, the Foundation is required to pay the University an annual minimum fee of $200,000. Future minimum payments to the University related to this agreement are:

Year ended June 30,	
2011	200,000
2012	200,000
2013	200,000
2014	200,000
2015	200,000
2016 and thereafter	800,000
	1,800,000

On November 25, 2008, the Foundation entered into an agreement with LA Tech Sports Properties, LLC ("Learfield"), a Missouri limited liability company owned by Learfield Communications, Inc. with respect to the licensing rights related to the promotion of Louisiana Tech University Athletics. The term of the agreement is July 1, 2009 through June 30, 2019. As payment for the rights granted under this agreement, Learfield will pay the Foundation an annual minimum guaranteed payment of $655,253. A payment of $655,253 was received under this agreement for the fiscal year ended June 30, 2010 and recorded as temporarily restricted other income. At June 30, 2010, accounts receivable and deferred revenue of $5,897,277 were recorded related to this agreement using a net present value calculation with an average discount rate of 1.7%.

17. **Endowed Net Assets**

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

17. **Endowed Net Assets** **(Continued)**

Private endowed contributions received for professorships and chairs are included in endowed net assets. Certain endowed funds are provided by the State of Louisiana as a match to these qualifying private endowed contributions. Once the match is received, the private endowed funds along with the matching endowed funds are transferred to the Due to Louisiana Tech University liability account. These endowed assets are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the Foundation's Board of Directors, with consideration given to market conditions, the spending levels of peer institutions, and historical returns. The objective is to provide relatively stable spending allocations. The spending rate approved by the Board for the fiscal year ended June 30, 2010 is 1.773%. State law dictates that no portion of the corpus (original amount of donation) of the endowed assets shall be allocated for spending.

The Foundation classifies as permanently restricted net assets the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

Endowment fund net asset composition as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	-	150,266	16,877,440	17,027,706
Contributions	-	-	2,608,755	2,608,755
Income (loss) on long-term investments	-	125,005	-	125,005
Net appreciation/(depreciation)	-	1,206,124	10,778	1,216,902
Other income	-	48,908	21,411	70,319
Released from restriction	-	(687,838)	-	(687,838)
Due to Louisiana Tech University	-	-	(720,000)	(720,000)
Endowment net assets, June 30, 2010	-	842,465	18,798,384	19,640,849

Endowment fund net asset composition as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2008	-	1,399,952	16,661,717	18,061,669
Contributions	-	-	1,987,980	1,987,980
Income (loss) on long-term investments	-	(1,354,625)	36	(1,354,589)
Net appreciation/(depreciation)	-	(1,513,923)	(49,545)	(1,563,468)
Other income	-	2,512,621	17,252	2,529,873
Released from restriction	-	(893,759)	-	(893,759)
Due to Louisiana Tech University	-	-	(1,740,000)	(1,740,000)
Endowment net assets, June 30, 2009	-	150,266	16,877,440	17,027,706

18. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 740 "Subsequent Events," the Foundation evaluated events and transactions that occurred after the statement of financial position date but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through September 4, 2010 and noted no subsequent events.

HEARD, MCELROY, & VESTAL
LLP
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

September 4, 2010

The Board of Directors
Louisiana Tech University Foundation, Inc.
Ruston, Louisiana

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Louisiana Tech University Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana Tech University Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Foundation are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

HMV
A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI
hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

This report is intended solely for the information and use of the board of directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLP

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

We have audited the financial statements of the Louisiana Tech University Foundation, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated September 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2010 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control – No material weaknesses were noted; no management letter was issued.

Compliance - No material noncompliance was noted.

b. Federal Awards - Louisiana Tech University Foundation, Inc. was not subject to a federal single audit for the year ended June 30, 2010.

Section II - Financial Statement Findings

No matters were reported.

LOUISIANA TECH UNIVERSITY FOUNDATION, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2010

No matters were noted in the prior year.